

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1541 – SB 2364

April 17, 2018

SUMMARY OF ORIGINAL BILL: Requires the Division of TennCare (Division), on and after July 1, 2018, to exclude behavioral health episodes from the initiative when developing or implementing any payment reform initiative involving the use of episodes of care with respect to medical assistance provided under Title 71, Chapter 5.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,620,400

Increase Federal Expenditures - \$3,125,700

SUMMARY OF AMENDMENT (017340): Deletes the language "shall exclude behavioral health episodes from the initiative" and substitutes it with the language "shall exclude anxiety episodes and non-emergent depression episodes from the initiative".

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – \$482,600

Increase Federal Expenditures - \$931,000

Assumptions for the bill as amended:

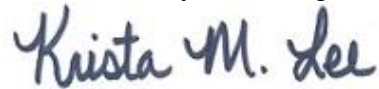
- The proposed legislation would prevent the Division from continuing the use of the episodes of care payment reform strategy for any anxiety episodes and non-emergent depression episodes.
- The Division has reduced their budget each year based on savings experienced due to the episodes of care program. The most recent annual savings for the eight episodes of care that have been in place and have report results is \$14,500,000. This accounts for 7.6 percent of overall related medical services.
- Based on information provided by the Division, the four behavioral health episodes cover \$62,448,000 in medical and pharmacy spending for the Division broken down as follows:

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- \$40,400,000 for attention deficit hyperactivity disorder;
 - \$3,400,000 for oppositional defiant disorder;
 - \$6,600,000 for anxiety; and
 - \$12,000,000 for non-emergent depression
- The total medical and pharmacy spending for anxiety and non-emergent depression is estimated to be \$18,600,000 (\$6,600,000 + \$12,000,000).
 - Assuming a similar savings for anxiety and non-emergent depression, the recurring increase in expenditures to cover the reduction is estimated to be \$1,413,600 (\$18,600,000 x 7.6%).
 - Medicaid expenditures receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds. Of the \$1,414,797, \$482,631 (\$1,413,600 x 34.142%) will be in state funds and \$930,969 (\$1,413,600 x 65.858%) will be in federal funds.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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